

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 NEA-11 ISO-00 XMB-02 CAB-02 CIAE-00
COME-00 DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00
L-03 OMB-01 TRSE-00 /050 W
-----074357 151424Z /53

P R 151325Z JUN 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 3574
:AMEMBASSY CAIRO PRIORITY 1842
INFO AMEMBASSY ATHENS
AMEMBASSY BONN
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FROM RCAA DWOR

DEPARTMENT PASS BED/OBOD; EXIMBANK; FAA FOR CARMICHAEL; BRUSSELS
FOR CARY AND PACE; ATHENS FOR RTDO

REF: (A) CAIRO 14087; (B) CAIRO 13090; (C) ROME 7410

E.O. 11652: N/A
TAGS: EAIR, BEXP, EG
SUBJECT: EGYPTAIR WIDEBODIED AIRCRAFT FINANCING

1. SUMMARY: EGYPTAIR OFFICIALS VISITED EXIMBANK JUNE 7 TO
CLEARLY SIGNAL THAT, SUBJECT AVAILABILITY COMPETITIVE FINANCING,
US WIDEBODIED AIRCRAFT SALES ASPIRATIONS IN EGYPT ARE VERY
MUCH ALIVE, DESPITE AIRBUS THREAT.

2. M.A. ZIMAITY, EGYPTAIR VICE PRESIDENT CORPORATE PLANNING
AND BADEL M. OSMAN, EGYPTAIR GENERAL MANAGER FOR NORTH
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AMERICA MET WITH EXIMBANK OFFICIALS JUNE 7TH. CALLS WERE
EFFECT ON H.K. ALLEN, 1ST VICE PRESIDENT AND VICE CHAIRMAN;
CLAYTON NORRIS, VICE PRESIDENT; AND RANDOLPH SWART, ECONOMIST.

3. PURPOSE OF CALLS ON EXIMBANK WAS TO SUBMIT EGYPTAIR'S FORMAL
REQUEST FOR PRELIMINARY COMMITMENT BY BANK FOR FINANCING SUPPORT
TO SUSTAIN FORTHCOMING WIDEBODIED AIRCRAFT ACQUISITION.

4. EGYPTAIR'S FINANCING REQUIREMENTS COVER THREE WIDEBODIED AIRCRAFT IN CATEGORY OF BOEING 747 (PROBABLY 747-166B), LOCKHEED-CALIFORNIA L-1011-200, MCDONNELL DOUGLAS DC-10-10/30 VALUED UPWARDS TO \$175 MILLION (DEPENDENT UPON TYPE ORDERED). OF TOTAL AIRCRAFT PROCUREMENT COSTS, EGYPTAIR PLANS DOWNPAYMENT OF APPROXIMATELY 15 PERCENT.

5. ZIMAITY HAS FORMALLY INFORMED BANK THAT RELEVANT AUTHORITIES GOVERNMENT OF EGYPTA AS WELL AS THE PEOPLE'S ASSEMBLY HAVE APPROVED AIRLINE'S PLANNING AND BUDGETARY PROVISIONS FOR ACQUISITION OF THE NEW AIRCRAFT. ZIMAITY FURTHER STATED THAT PROPOSALS HAVE BEEN SOLICITED (REFTELS) FROM THREE US AND ONE WEST EUROPEAN (AIRBUS INDUSTRIE) MANUFACTURERS AND THAT, DURING MONTHS OF JUNE AND JULY, EGYPTAIR WILL BE RECEIVING DETAILED TECHNICAL AND FINANCING PROPOSALS COVERING THE AIRCRAFT EGYPT-AIR URGENTLY REQUIRES FOR ITS GROWING MARKET.

6. ZIMAITY INDICATED TO BANK THAT BRIEF DISCUSSIONS WITH AIRBUS INDUSTRIE COVERING A-300-B4-100/200 POINT TO MOST ADVANTAGEOUS A-300 AIRCRAFT FINANCING PROPOSAL TO EGYPTAIR. HOWEVER, ZIMAITY INDICATED AIRLINE DOES NOT INTEND TO BASE FINAL SELECTION NEW AIRCRAFT ENTIRELY ON INITIAL PRICE (A-300 \$37 MILLION, DC-10/L-1011 \$43 MILLION, 747 \$57 MILLION) AND FINANCING. ZIMAITY INDICATED AIRLINE WILL ENDEAVOR TO SELECT AIRCRAFT WHICH MOST CLOSELY MEETS TECHNICAL, CAPACITY, AND LIMITED OFFICIAL USE

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ECONOMIC REQUIREMENTS. HOWEVER, HE STRESSED THAT TOTAL PACKAGE COSTS AND AVAILABILITY FINANCING WILL CERTAINLY BE FACTOR IN OVERALL EVALUATION PROCESS LEADING TO TYPE-SELECTION DECISION.

7 ZIMAITY'S PRESENTATION TO BANK INCLUDED SUCH ISSUES AS: EGYPTAIR'S CONTROL OVER ITS FOREIGN CURRENCY EARNINGS; AIRLINE'S LIQUID CASH POSITION; COMPLEMENTARY ACTIVITIES GENERATING FOREIGN CURRENCY (I.E. DUTY FREE SHOPS, CATERING); INCREASINGLY IMPRESSIVE AIRLINE PROFITABILITY SINCE 1975; EXPANSION AND DEVELOPMENT PLANNING.

8. ACCORDING ZIMAITY, TWO MAIN ISSUES RAISED BY EXIMBANK OFFICIALS WERE AS FOLLOWS:

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FROM RCAA DWOR

DEPARTMENT PASS BED/OBOD; EXIMBANK; FAA FOR CRMICHAEL; BRUSSELS
FOR CARY AND PACE; ATHENS FOR RTDO

A) BANK'S CONCERN THAT RESCHEDULING OF GOVERNMENT OF
EGYPT DEBTS WOULD INTERFERE WITH REPAYMENT BY EGYPTAIR OF ITS
LOAN OBLIGATIONS. ZIMAITY REPLIED THAT EGYPTAIR DISTINCT
ENTITY AND RETAINS FULL CONTROL OVER DISBURSEMENT OF ITS
EARNINGS. HE ADDED FACT THAT CENTRAL BANK OF EGYPT WILL
GUARANTEE AIRLINE'S LOAN FOR NEW AIRCRAFT DOES NOT INDICATE
ANY EGYPTIAN GOVERNMENTAL DOUBTS CONCERNING AIRLINE'S DEMONSTRATED
HIGH CAPABILITY OF HONORING ITS OBLIGATIONS, AS HAS ALWAYS BEEN THE
CASE IN THE PAST.

B) EXIMBANK, ACCORDING ZIMAITY, INQUIRED OF POSSIBILITY
OF AIRLINE SECURING THIRD-PARTY GUARANTOR FROM OUTSIDE EGYPT,
GOVERNMENTAL OR NON-GOVERNMENTAL. ZIMAITY RESPONDED NEGATIVELY
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WITH EXPLANATION THAT SUCH GUARANTEE WOULD NOT ACCRUE TO
AIRLINE'S WELLBEING; SINCE EGYPTAIR WOULD THEN BE EXPOSED TO
ANOTHER OBLIGATION EXTERNAL TO EGYPT'S COMPETENT AUTHORITIES.
ZIMAITY STATED SUCH EXPOSURE WOULD BE DISADVANTAGEOUS TO AIR-
LINE'S INTERESTS.

C) ZIMAITY REQUESTED EXIMBANK TO FAVORABLE CONSIDER 50
PERCENT DIRECT LOAN PARTICIPATION IN AIRCRAFT FINANCING

PACKAGE. RECONSTRUCTION OF DESIRED LOAN SCENARIO WOULD
APPEAR AS FOLLOWS:

COST OF THREE WIDEBODIED AIRCRAFT (MAXIMUM)	\$175.00 MILLION
LESS: DOWNPAYMENT BY EGYPTAIR	26.25 MILLION
FACE AMOUNT OF LOAN	\$148.75 MILLION
EXIMBANK PARTICIPATION (50 PERCENT)	74.38 MILLION
COMMERCIAL PARTICIPATION (50 PERCENT)	74.37 MILLION

(ABOVE SCENARIO WOULD COVER THREE BOEING 747'S; SCENARIO
FOR THREE L-1011'S OR DC-10'S WOULD BE LESS)

9. WE ARE GREATLY ENCOURAGED BY ZIMAITY VISIT TO EXIMBANK IN
CONTEXT EGYPTAIR'S SERIOUS INTEREST IN ACQUISITION US WIDEBODIED
TRANSPORT AIRCRAFT WITH ATTENDANT CAPACITY, RANGE-VERSATILITY,
AND SEAT-MILE/TON-MILE OPERATING COST ADVANTAGES OVER AIRBUS
INDUSTRIE A-300B4-100/200. RCAA AGAIN EXPRESSES FERVENT HOPE
EXIMBANK WILL RESPOND FAVORABLEY TO THIS PIVOTAL SALES OPPOR-
TUNITY FOR US COMMERCIAL AIRCRAT MANUFACTURERS. EGYPTAIR'S
WIDEBODIED AIRCRAFT ACQUISITION DECISION CRUCIAL TO OUR
MARKETING ASPIRATIONS IN THE REGION AND OUR COMPETITION, AIRBUS
INDUSTRIE, IS TOUGH.HOLMES

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